

50 3/3/05

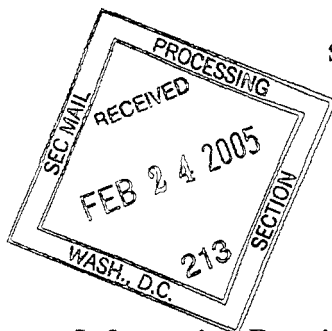


SECURITI

N

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden	hours per response..... 12.00

SEC FILE NUMBER
8-65717



**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: KelBra Securities, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2001 Copper Loop, Suite 2

Las Cruces (City) New Mexico (State) 88005 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
James D. Bicknell (505) 525-1717  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Everett, Flesher & Boetticher, P.C.

(Name - if individual, state last, first, middle name)  
755 S. Telshor Blvd., Suite 201Q (Address) Las Cruces (City) New Mexico (State) 88011 (Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSING  
MAR 11 2005

<b>FOR OFFICIAL USE ONLY</b>
THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, James D. Bicknell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KelBra Securities, LLC, as of December 31, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:  
No exceptions



OFFICIAL SEAL  
GLORIA J. PAUL  
NOTARY PUBLIC - STATE OF NEW MEXICO  
My commission expires: 5/29/06

Gloria J. Paul  
Notary Public

James D. Bicknell  
Signature  
President

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**KelBra Securities, LLC**  
Las Cruces, New Mexico

Audited Financial Statements  
For the Year Ended  
December 31, 2004

FINANCIAL STATEMENTS

December 31, 2004

CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements	
Statement of Financial Condition .....	2
Statement of Income and Member's Capital .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5 - 6
Supplementary Information	
Independent Auditor's Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission .....	7
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission .....	8
Independent Auditor's Report on Internal Control required by Rule 17a-5 of the Securities and Exchange Commission .....	9

Jeffrey M. Everett, CPA  
Barry K. Flesher, CPA  
Wendy A. Boetticher, CPA

Telephone: (505) 522-2244  
Fax: (505) 522-8049  
jeverett@zianet.com  
barry@zianet.com  
wendyn@zianet.com

Independent Auditor's Report

To the Member of  
KelBra Securities, LLC  
Las Cruces, New Mexico

We have audited the accompanying statement of financial condition of KelBra Securities, LLC (a New Mexico limited liability company) as of December 31, 2004, and the related statements of income and member's capital and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KelBra Securities, LLC as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

*Everett, Flesher & Boetticher, P.C.*

Everett, Flesher & Boetticher, P.C.

February 8, 2005

KelBra Securities, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2004

ASSETS

Assets

Cash and cash equivalents	\$	30,391
Receivable from broker-dealers		7,197
Furniture and equipment, net of accumulated depreciation of \$1,505 (Note 4)		<u>5,388</u>

TOTAL ASSETS	\$	<u><u>42,976</u></u>
--------------	----	----------------------

LIABILITIES AND MEMBER'S EQUITY

Liabilities

Accounts payable	\$	<u>280</u>
Total Liabilities		<u>280</u>

Member's Equity

Capital		<u>42,696</u>
Total Member's Equity		<u>42,696</u>

TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	<u><u>42,976</u></u>
---------------------------------------	----	----------------------

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF INCOME AND MEMBER'S CAPITAL  
For the Year Ended December 31, 2004

Revenue	
Commissions	<u>\$ 137,317</u>
Expenses	
B/D registration fees	1,635
Continuing education	99
Depreciation expense	1,323
Due and subscriptions	80
Insurance	480
Licenses and permits	115
Meals and entertainment	12
Office supplies	760
Postage and delivery	609
Professional fees	3,370
Repairs	158
Security	96
Telephone	<u>3,227</u>
Total Expenses	<u>11,964</u>
Other Income (Expense)	
Loss on disposal of asset	<u>(292)</u>
Net Income	125,061
Member's Capital, Beginning of the Year	61,135
Capital withdrawals	<u>(143,500)</u>
Member's Capital, End of the Year	<u><u>\$ 42,696</u></u>

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2004

## CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 125,061
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,323
Loss on disposal of asset	292
Change in assets and liabilities causing increase (decrease) in cash:	
Receivable from broker-dealers	23,370
Accounts payable	213

NET CASH PROVIDED BY OPERATIONS 150,259

## CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	<u>(4,873)</u>
----------------------	----------------

NET CASH USED BY INVESTING ACTIVITIES (4,873)

## CASH FLOWS FROM FINANCING ACTIVITIES

Member Capital withdrawals	<u>(143,500)</u>
----------------------------	------------------

NET CASH USED BY INVESTING ACTIVITIES (143,500)

NET CASH INCREASE DURING THE YEAR 1,886

CASH, Beginning of year 28,505

CASH, End of year \$ 30,391

The accompanying notes are an integral part of these Financial Statements.



NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**1. Organization and Significant Accounting Policies**

Organization. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is a New Mexico Limited Liability Company owned by James D. Bicknell.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recognition of Income. Commissions and related clearing expenses are reported on a trade-date basis as securities transactions occur.

Cash. For purposes of reporting cash flows, cash and cash equivalents include money market accounts and any investment instruments purchased with an original maturity of one year or less.

Accounts Receivable. Accounts receivables are recorded when invoices are issued. Receivables are written off when they are determined to be uncollectible. No allowance for doubtful accounts has been established. All receivables are considered collectible.

Furniture and Equipment. Furniture and equipment are recorded at cost. Depreciation is computed over lives of 5 to 7 years by the straight-line method for financial reporting purposes and under the methods prescribed by the Internal Revenue Service for tax purposes.

Concentrations of Risk. Revenues in the current year were generated from services to two clients. One client was accountable for 61% of commissions and the other for 39% of commissions.

At the end of the current year the company dealt with only two customers. One of them accounted for 100% of accounts receivable.

**2. Income Taxes**

The Company is a single owner limited liability company which is a disregarded entity for income tax purposes. All elements of income and deductions are included in the tax return of the sole member.

**3. Related Party Transactions**

The Company is affiliated with Beacon Hill Ltd. Co. through the common ownership of James D. Bicknell. Both companies occupy the same premises. Under the affiliate agreement between the two companies, Beacon Hill Ltd. Co. is responsible for all rental and lease costs in

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2004

**3. Related Party Transactions (continued)**

connection with the property at 2001 Copper Loop, Suite 2, Las Cruces NM. All other expenses, such as telephones, office supplies, furniture, computers software and postage are allocated between the two companies based on employee man hours worked for each Company. This determination is made on January 1 of each year. The allocation of expenses for 2004 was Beacon Hill Ltd. Co. 35% and Kelbra Securities LLC 65%.

**4. Depreciable Assets**

Depreciable assets at December 31, 2004 consisted of the following:

	Cost	Accumulated Depreciation	Useful Lives
Office furniture	\$ 2,045	\$ 382	5-7
Office equipment	3,757	657	5
Computer software	1,091	466	1-3
Totals	<u>\$ 6,893</u>	<u>\$ 1,505</u>	

Depreciation expense for the year ending December 31, 2004 was \$1,323.

**5. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1). At December 31, 2004 the Company had net capital of \$37,308, which was \$32,308 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.0075 to 1.

**Supplementary Information**

Jeffrey M. Everett, CPA  
Barry K. Flesher, CPA  
Wendy A. Boetticher, CPA

Telephone: (505) 522-2244  
Fax: (505) 522-8049  
jeverett@zianet.com  
barry@zianet.com  
wendyn@zianet.com

Independent Auditor's Report on Supplementary Information  
Required by Rule 17a-5 of the Securities and Exchange Commission

To the Member of  
KelBra Securities, LLC  
Las Cruces, New Mexico

We have audited the accompanying financial statements of KelBra Securities, LLC as of and for the year ended December 31, 2004, and have issued our report thereon dated February 8, 2005. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Everett, Flesher & Boetticher, P.C.*

Everett, Flesher & Boetticher, P.C.

February 8, 2005

KelBra Securities, LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
For the Year Ended December 31, 2004

Net Capital	
Total member's equity	\$ 42,696
Deduct member's equity not allowable for net capital provided by operating activities	<u>0</u>
Total member's equity qualified for net capital	42,696
Deductions and/or charges:	
Nonallowable assets:	
Furniture and equipment, net	<u>(5,388)</u>
Net capital before haircuts on securities positions (tentative net capital)	37,308
Haircuts on securities	<u>0</u>
Net Capital	<u><u>\$ 37,308</u></u>
Aggregate indebtedness	
Items included in statement of financial condition	
Accounts payable	280
Items not included in statement of financial condition	<u>0</u>
Total aggregate indebtedness	<u><u>\$ 280</u></u>
Computation of basic net capital requirement	
Minimum net capital required	<u><u>\$ 5,000</u></u>
1/8 of aggregate indebtedness	<u><u>\$ 35</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0.0075 to 1</u></u>

Jeffrey M. Everett, CPA  
Barry K. Flesher, CPA  
Wendy A. Boetticher, CPA

Telephone: (505) 522-2244  
Fax: (505) 522-8049  
jeverett@zianet.com  
barry@zianet.com  
wendyn@zianet.com

Independent Auditor's Report on Internal Control  
Required by Rule 17a-5 of the Securities and Exchange Commission

To the Member of  
KelBra Securities, LLC  
Las Cruces, New Mexico

In planning and performing our audit of the financial statements and supplemental schedules of KelBra Securities, LLC (the Company), for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded

To the Member of  
KelBra Securities, LLC  
Page 2

properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of the inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we considered to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than those specified.

*Everett, Flesher & Boetticher, P.C.*

Everett, Flesher & Boetticher, P.C.

February 8, 2005